

§ 1.669(e)-1A

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§ 1.669(e)-1A Pro rata portion of taxes deemed distributed.

(a) If a capital gain distribution is deemed under § 1.669(a)-1A to be distributed on the last day of a preceding taxable year and the amount is less than the undistributed capital gain for such preceding taxable year, then an additional amount is also deemed to have been properly distributed. The additional amount is equal to the “taxes imposed on the trust attributable to the undistributed capital gain” (as defined in § 1.665(d)-1A(c)) for such preceding taxable year, multiplied by a fraction, the numerator of which is the amount of the capital gain distribution allocated to such preceding taxable year and the denominator of which is the undistributed capital gain for such preceding taxable year. See paragraph (b) of example 1 and paragraphs (c) and (f) of example 2 in § 1.669(e)-2A for illustrations of this paragraph.

(b) For the purpose of paragraph (a) of this section, the undistributed capital gain of any preceding taxable year and the taxes imposed on the trust for such preceding taxable year attributable to such undistributed capital gain are computed after taking into account any capital gain distributions of any taxable years intervening between such preceding taxable year and the taxable year. See paragraph (c) of § 1.669(a)-1A, paragraph (c) of example 1 and paragraphs (e) and (h) of example 2 in § 1.669(e)-2A.

[T.D. 7204, 37 FR 17156, Aug. 25, 1972]

§ 1.669(e)-2A Illustration of the provisions of section 669.

The application of the provisions of §§ 1.669(a)-1A, 1.669(d)-1A, and 1.669(e)-1A may be illustrated by the following examples:

Example 1. (a) A trust created on January 1, 1974, makes capital gain distributions as follows:

1979.....\$14,000
1980.....60,000

The trust had accumulated income in 1974.

For 1974 through 1978, the undistributed portion of capital gain, taxes imposed on the trust attributable to the undistributed capital gain, and undistributed capital gain are as follows:

Year	Undistributed portion of capital gain	Taxes imposed on the trust attributable to the undistributed capital gain	Undistributed capital gain
1974	\$24,200	\$2,830	\$21,370
1975	32,200	4,330	27,870
1976	12,200	1,130	11,070
1977	None	None	None
1978	10,200	910	9,290

(b) Since the entire amount of the capital gain distribution for 1979 (\$14,000), determined without regard to the capital gain distribution for 1980, is less than the undistributed capital gain for 1974 (\$21,370), an additional amount of \$1,854 ($14,000/21,370 \times \$2,830$) is deemed distributed under section 669(e).

(c) In allocating the capital gain distribution for 1980, the amount of undistributed capital gain for 1974 will reflect the capital gain distribution for 1979. The undistributed capital gain for 1974 will then be \$7,370 and the taxes imposed on the trust for 1974 will be \$976, determined as follows:

Undistributed capital gain as of the close of 1974	\$21,370
Less: Capital gain distribution (1979)	14,000
Balance (undistributed capital gain as of the close of 1979)	7,370
Taxes imposed on the trust attributable to the undistributed capital gain as of the close of 1979 ($7,370/21,370 \times \$2,830$)	976

(d) The capital gain distribution of \$60,000 for 1980 is deemed to have been made on the last day of the preceding taxable years of the trust to the extent of \$55,600, the total of the undistributed capital gain for such years, as shown in the tabulation below. In addition, \$7,346, the total taxes imposed on the trust attributable to the undistributed capital gain for such years is also deemed to have been distributed on the last day of such years, as shown below:

Year	Undistributed capital gain	Taxes imposed on the trust attributable to the undistributed capital gain
1974	\$7,370	\$976
1975	27,870	4,330
1976	11,070	1,130
1977	None	None
1978	9,290	910
1979	None	None
Total	55,600	7,346

Example 2. (a) Under the terms of a trust instrument, the trustee has discretion to accumulate or distribute the income to X and to invade corpus for the benefit of X. The trust is subject to capital gain throwback. Both X and the trust report on the calendar year basis. All of the income for 1974 was distributed and the capital gain was accumulated. The capital gain of the trust for the taxable year 1974 is \$40,200 and the income taxes paid by the trust for 1974 attributable